



Department of Justice

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**DIVESTITURE RESOLVES JUSTICE DEPARTMENT OBJECTIONS
TO OIL INDUSTRY MERGER**

WASHINGTON, D.C. -- The Department of Justice announced today that it has agreed to modifications of a 1994 consent decree that would allow Smith International Inc. of Houston to purchase Anchor Drilling Fluids of Norway, provided Smith sells off Anchor's U.S. drilling fluids business.

Drilling fluids, a combination of chemical compounds, are pumped through drill pipes to cool and lubricate the cutting tools on the pipe, remove cuttings from the drill hole, and control downhole pressure to prevent an explosion of the drill site.

Smith is the majority owner of M-I, a major drilling fluids business. M-I is the largest drilling fluids company in the United States and the world and one of three companies that dominate the business. Anchor Drilling Fluids is the fourth largest producer and distributor of drilling fluids in the United States. Total U.S. drilling fluids sales exceed \$500 million annually.

The divestiture agreement, filed today in U.S. District Court in Washington, D.C., is part of a joint motion with Smith to modify a consent decree entered in April of 1994, that allowed

Dresser Industries Inc. of Dallas to acquire the Houston-based Baroid Corporation.

The 1994 decree settled a suit, filed by the Department in late 1993 against Dresser Industries and the Baroid Corporation, that alleged their proposed merger would likely lessen competition in the manufacture and sale of two oil field service products, including drilling fluids. The decree ordered Dresser to divest either its ownership interest in M-I Drilling Fluids or Baroid Drilling Fluids. To comply with the decree, Dresser sold its interest in M-I to Smith.

Today's proposed modification is necessary because the decree barred Smith, as the purchaser of M-I, from acquiring Anchor. The settlement prohibited the purchaser of the divested drilling fluids business from acquiring or combining the drilling fluids business with the drilling fluid operations of any one of four named companies, including Anchor.

Anne K. Bingaman, Assistant Attorney General in charge of the Antitrust Division said, "The 1994 decree preserved future competition in the highly-concentrated drilling fluids business by prohibiting certain consolidations among the major drilling fluid producers for ten years. Today's filing maintains that competition by permitting Smith to acquire Anchor only because it agreed to divest Anchor USA."

In addition to divesting Anchor USA, Smith has also agreed to supply barite, an essential ingredient in drilling fluids, to the purchaser of Anchor USA for five years, with an extension for up to five more years at the purchaser's option. This

- 3 -

guarantee of barite will permit Anchor to continue to be a competitive force in the United States.

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